separate section on the balance sheet. The difference between total assets and total liabilities is your net worth or equity on the day you fill out the information.

Assets should be valued at both fair market value and cost (book value). For some purposes, including borrowing money and measuring the value of your equity, fair market value is appropriate. Both fair market value and cost are needed to estimate potential tax liability from the sale of farm assets. For other purposes, including income-tax reporting, a cost basis is needed. A worksheet is included below for your use.

Preparing a net worth statement or balance sheet should be a routine part of farm financial management. To be most useful for management purposes, a balance sheet should be prepared on the first day of every financial year—January 1 for most farmers. Over time, you can look back at trends in the market value of farm assets and the amount of farm debt and see how the farm is progressing. In a healthy farm business, asset values and net worth normally trend up and debts trend down.

RESOURCES

Additional computer tools and information on Net Worth Statements are available from the Iowa State University "Ag Decision Maker" Web site at:

http://www.extension.iastate.edu/agdm/decisionaids.html

Click on "Finance"

Scroll down to the "Financial" heading

- Click on Net Worth Statement to download a spreadsheet version of the supporting schedules and Net Worth Statement
- To learn more about calculating net worth, download the following fact sheet http://www.extension.iastate.edu/agdm/wholefarm/pdf/c3-20.pdf
- To analyze your net worth statement download this accompanying computer spreadsheet http://www.extension.iastate.edu/agdm/wholefarm/html/c3-20.html

Prepared by **Geoffrey A. Benson**, Extension Economist, North Carolina State University